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December 2022

U.S. Construction Outlook: Recession or Resurgence?

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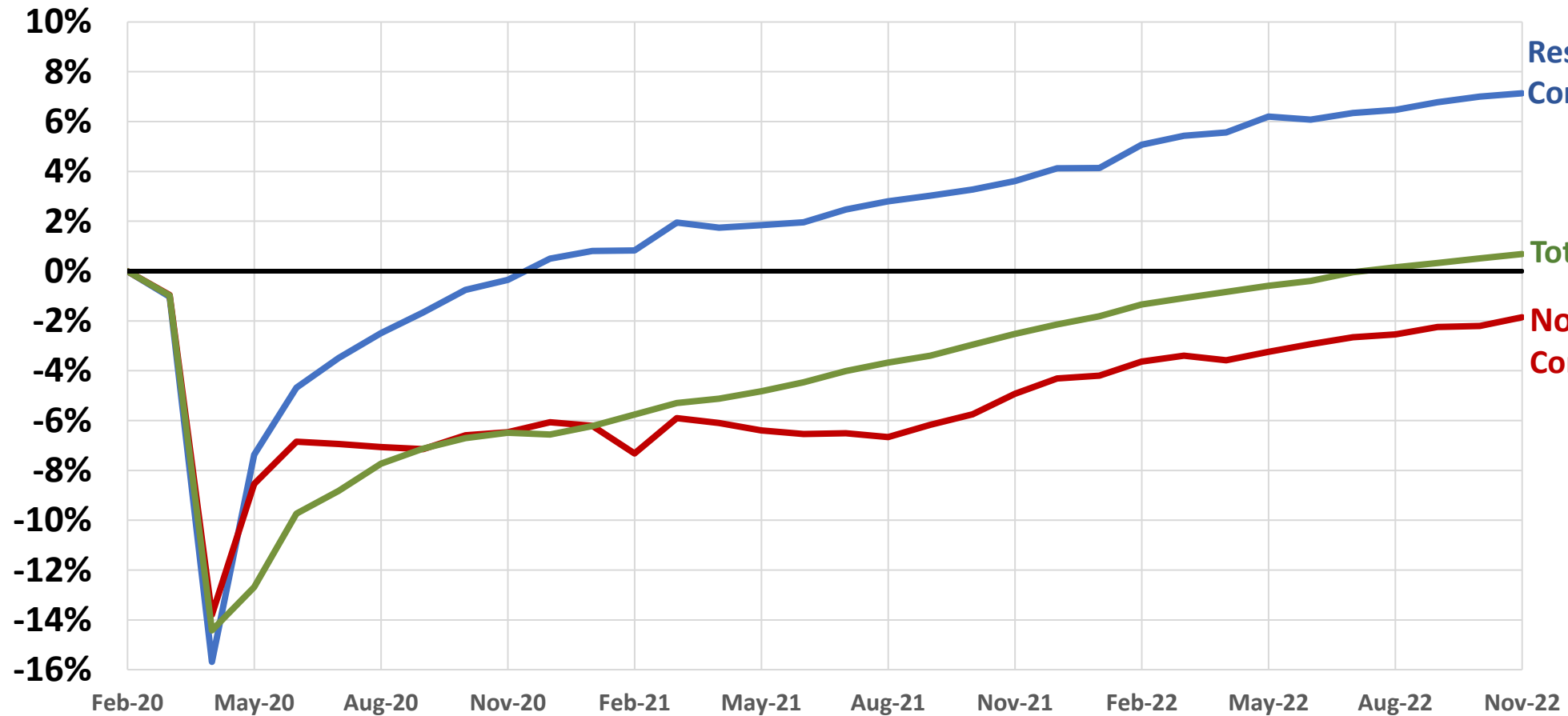
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Total nonfarm & construction employment, Feb. 2020–Nov. 2022

cumulative change (seasonally adjusted)



Change since Feb. 2020:
Number Percent

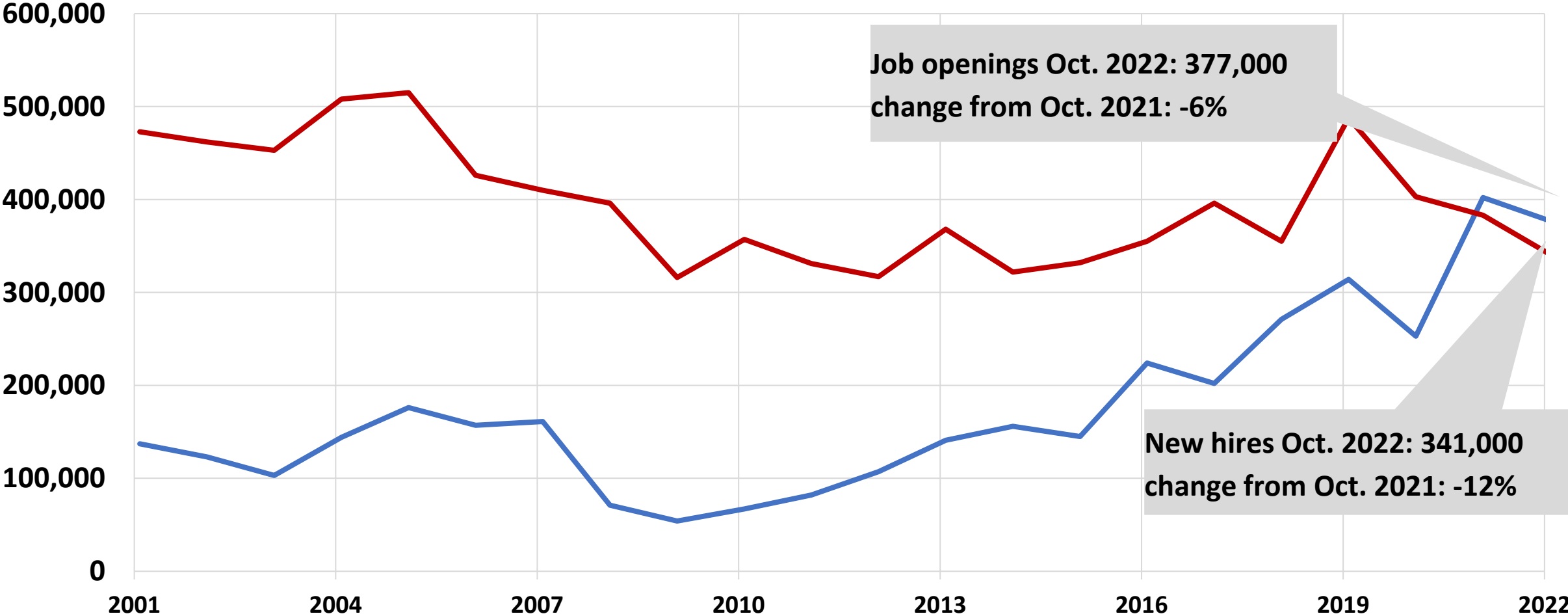


Residential Construction	212,300	7.1%
Total Nonfarm	1,044,000	0.7%
Nonresidential Construction	-86,000	-1.8%

Construction job openings & new hires



Job openings and hires, Oct. 2001-Oct. 2022, not seasonally adjusted

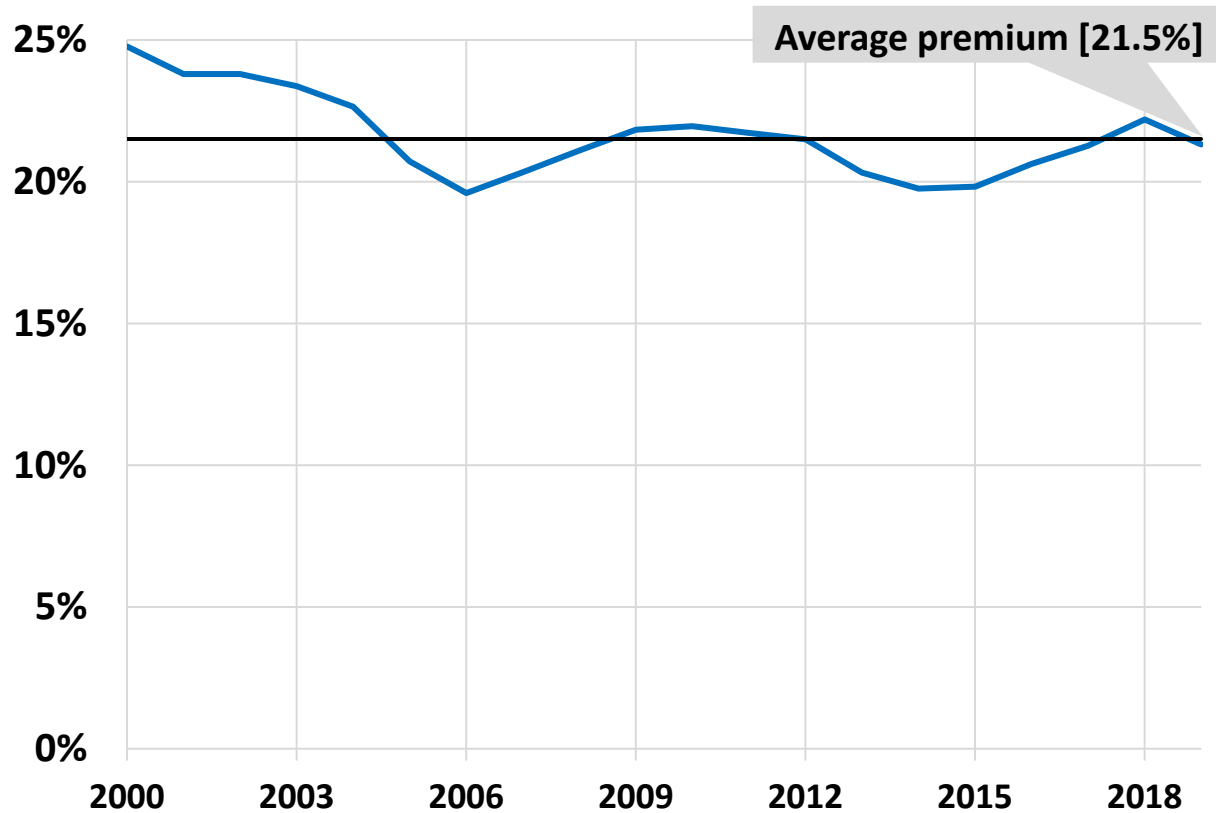


Construction wage “premium” vs. total private sector

Excess of average hourly earnings for production/ nonsupervisory employees in construction vs. private sector

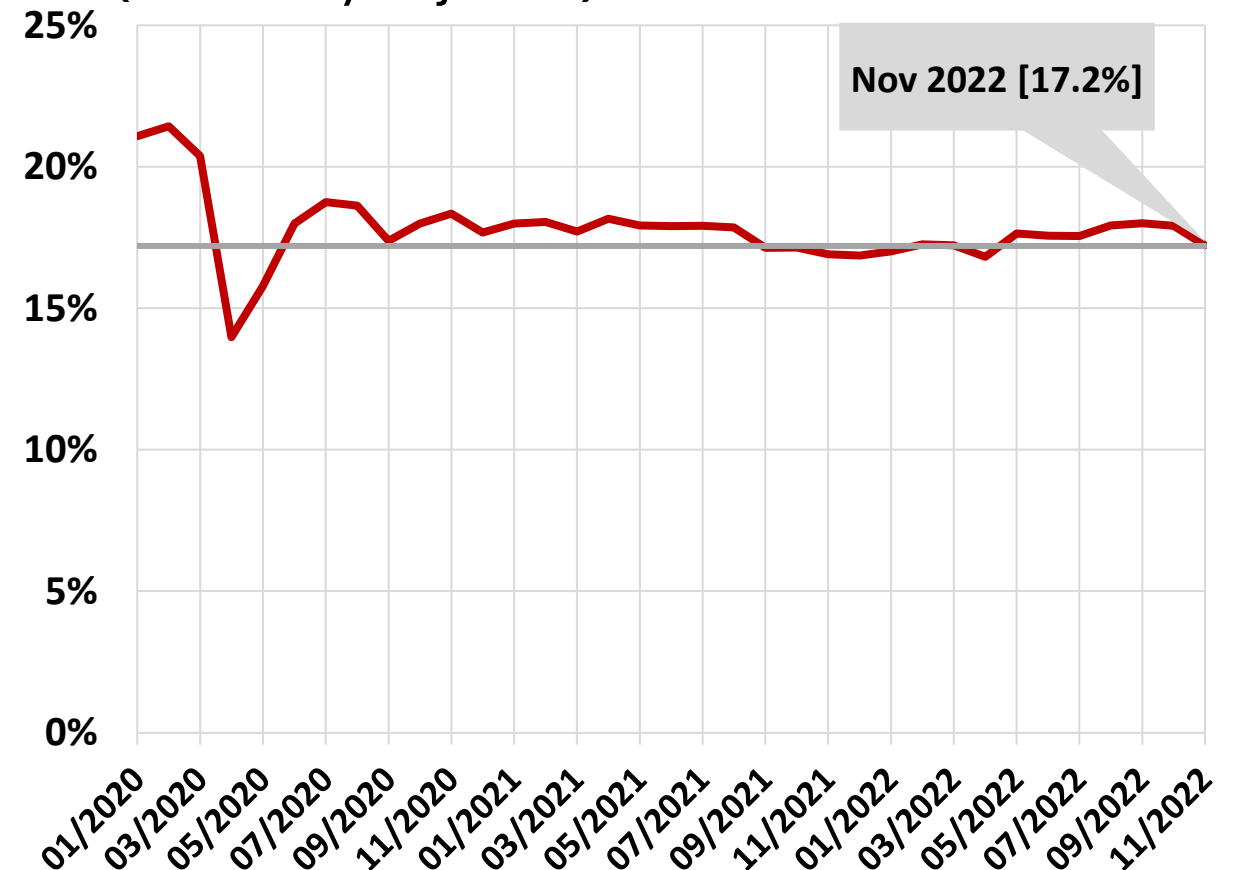


Annual premium, 2000–2019



Monthly premium, Jan 2020–Nov 2022

(seasonally adjusted)

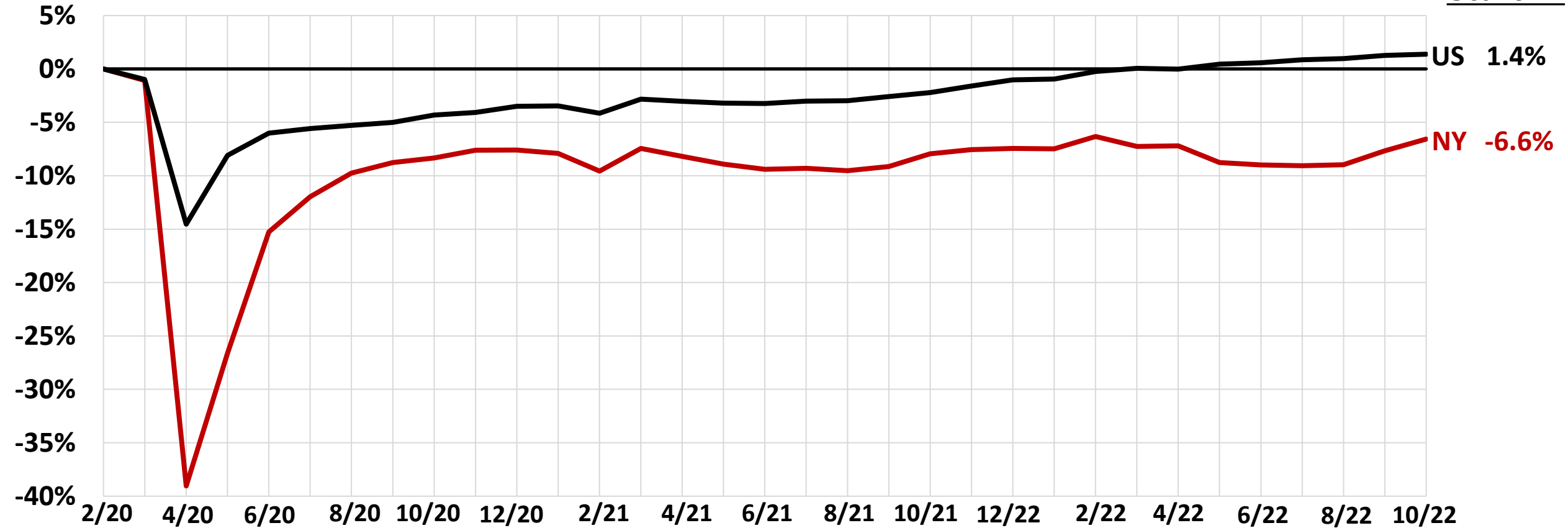


US & NY Construction Employment

Cumulative change, Feb 2020-Oct 2022, seasonally adjusted



% change
Feb 2020-
Oct 2022:



New York Metro Construction Employment

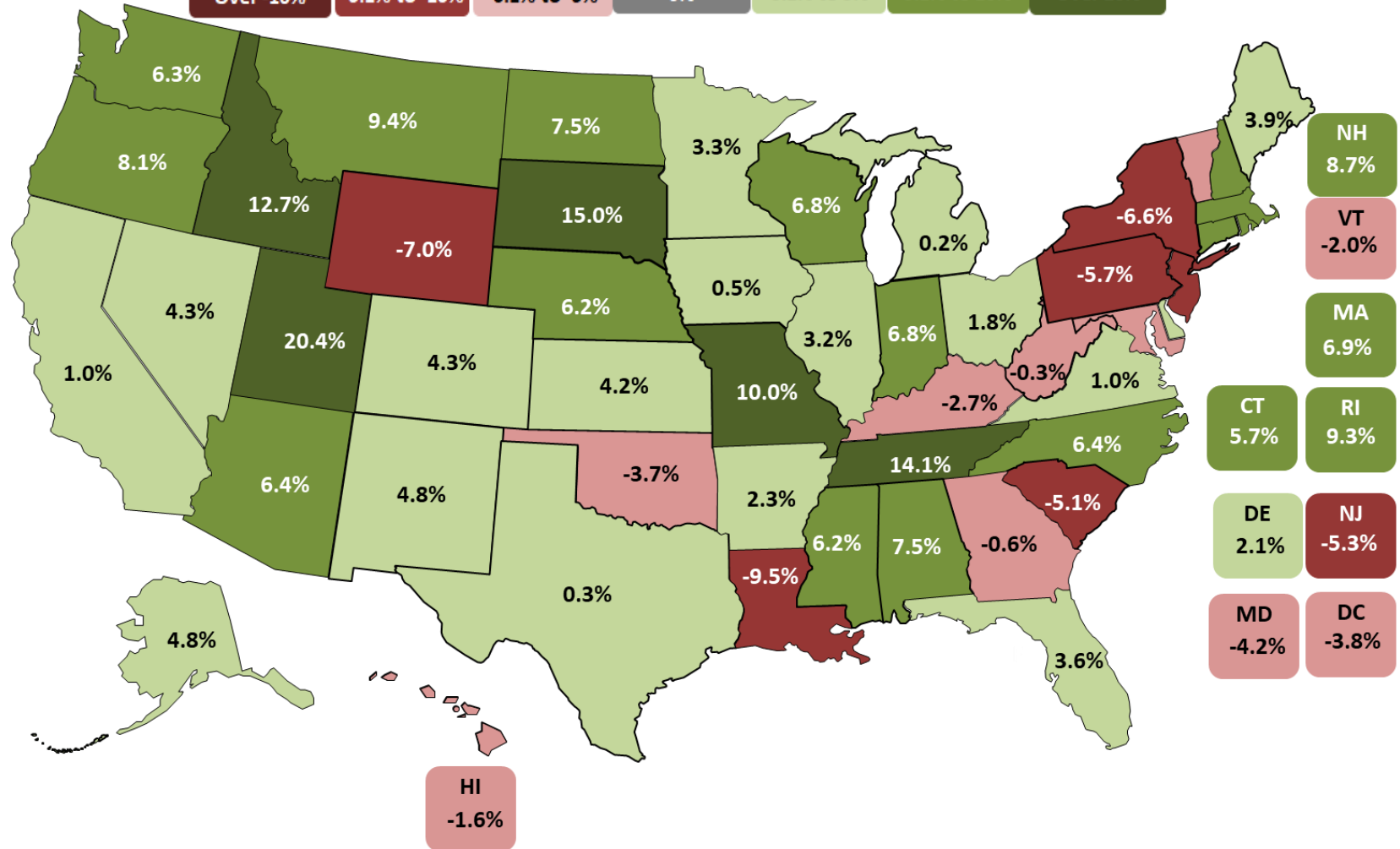
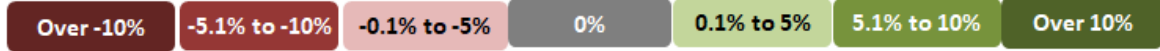
Oct. 2022 vs. 2021 & 2020 (not seasonally adjusted)



	<u>Oct.</u> <u>2022</u>	<u>Change from:</u>		
		<u>Oct.</u> <u>2021</u>	<u>Oct.</u> <u>2020</u>	<u>Oct.</u> <u>2019</u>
New York City, NY*	142,100	-2%	-3%	-13%
Nassau County-Suffolk County, NY Div.*	83,600	4%	6%	-2%
Orange-Rockland-Westchester, NY*	48,100	11%	10%	4%

Construction employment change by state, February 2020-October 2022

37 states **up**, 13 states + DC **down**, 0 unchanged (**U.S.: 1.4%**)



Top 5

UT	20.4%
SD	15.0%
TN	14.1%
ID	12.7%
MO	10.0%

Bottom 5

LA	-9.5%
WY	-7.0%
NY	-6.6%
PA	-5.7%
NJ	-5.3%

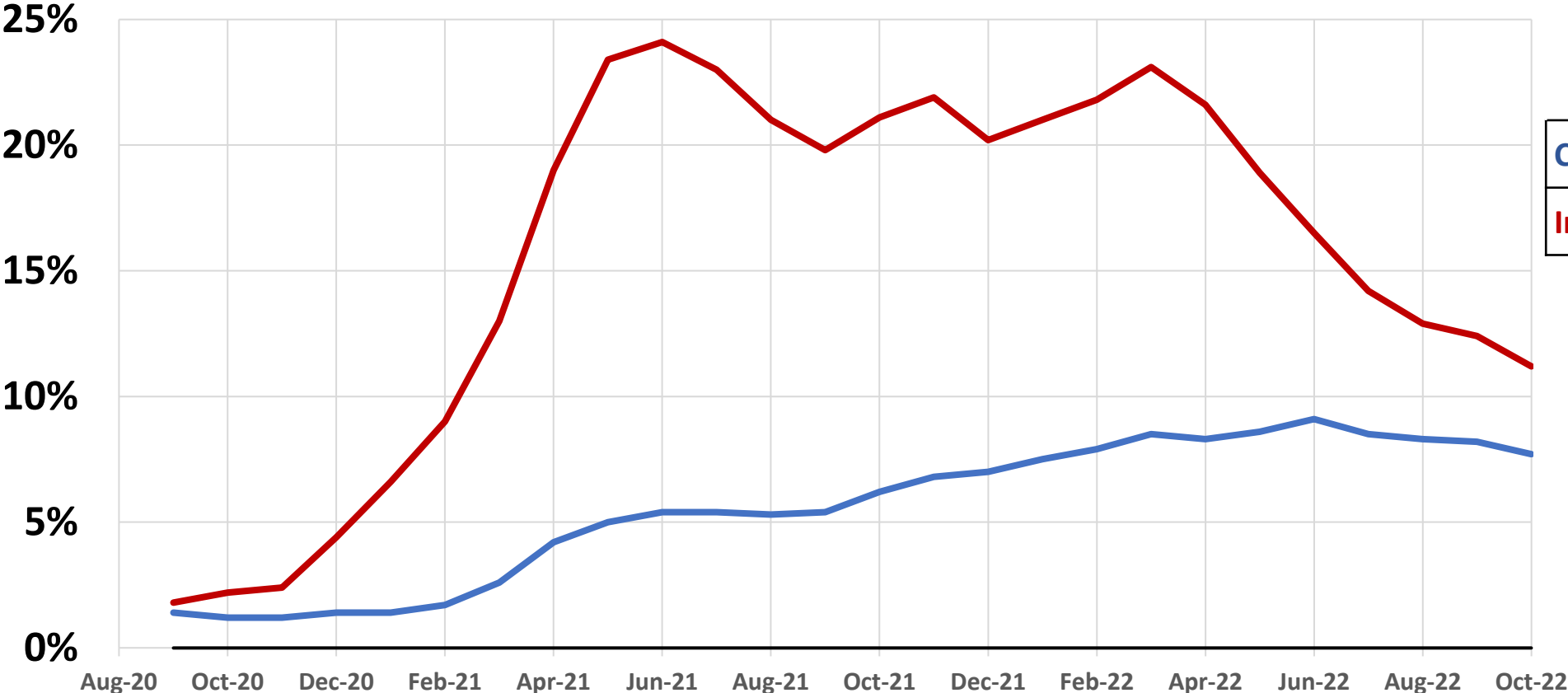
Costs for new nonresidential construction vs. consumer prices

Year-over-year change in PPI for construction inputs and CPI

August 2020 - October 2022, not seasonally adjusted



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	12 months to:	
	Aug-20	Oct-22
CPI	1.3%	7.7%
Inputs PPI	0.7%	11.2%



Wide variation in construction input cost trends

change in producer price indexes (not seasonally adjusted)

Oct 2022 change from:

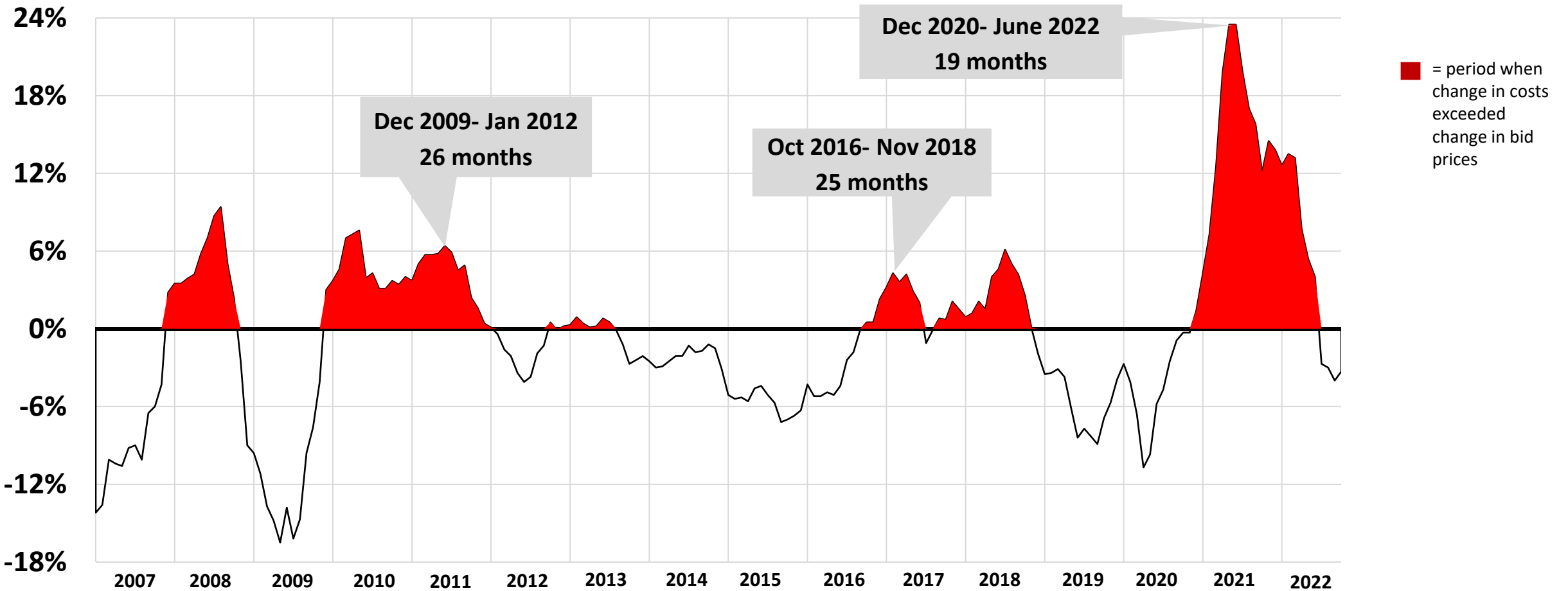
	<u>Sep</u> <u>2022</u>	<u>Oct</u> <u>2021</u>
#2 diesel fuel	9.8%	61.5%
Architectural coatings (paint, etc.)	1.1%	27.5%
Asphalt paving mixtures and blocks	-0.7%	20.7%
Concrete products	0.1%	14.1%
<u>Subcontractor price indexes, nonresidential building work</u>		
Roofing contractors	1.9%	21.5%
Electrical contractors	2.1%	18.8%
Plumbing contractors	3.7%	15.7%
Concrete contractors	1.1%	10.9%

Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Oct 2022



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10 | Source: Source: Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new school building construction (bid prices)

Change (+/-) in construction spending: October 2022 vs. October 2021

current (not inflation-adjusted) dollars, seasonally adjusted



- Total 9%: private res 9% (single-family -5%; multi 2%; improvements 33%); private nonres 10%; public 10%

Largest segments (in descending order of October 2022 spending)

- Commercial 22% (warehouse 22%; retail 26%; farm 13%)
- Highway and street 12%
- Mfg. 33% (computer/electronic 170%; chemical -26%; food/beverage/tobacco 18%; transp. equip. 27%)
- Power -10% (electric -9%; oil/gas fields & pipelines -12%)
- Education 5% (primary/secondary 6%; higher ed 4%)
- Office 1%
- Transportation 2% (air -12%; freight rail/trucking 20%; mass transit 7%)
- Health care 8% (hospital 6%; medical building 7%; special care -6%)
- Sewage and waste disposal 17%
- Water supply 33%

Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	Oct.	47.7	53.9
Dodge Momentum Index (DMI)	Oct.	200	156
Multifamily permits not yet started	Oct.	146,000	111,000

Medium-term outlook for construction



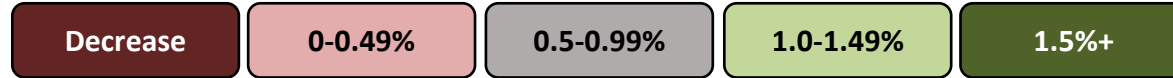
- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” Act, Inflation Reduction Act will give major boost to infrastructure, manufacturing, and power construction. BUT
 - money will be slow to turn into construction awards and spending
 - Buy America(n), labor, environmental strings may tie up project starts for years
- Materials cost and lead time trends are mixed, no longer all upward
- Labor availability has resumed being the #1 challenge for many contractors

Long-run construction outlook (post-pandemic)



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth means slower demand growth for most construction
- Slowing demand for K-12, decline for higher ed construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- More wind, solar, battery storage and charging facilities, and related manufacturing
- Not clear if offices will decentralize or remain in less demand
- Not clear if recent urban/rural or state-to-state migration will remain or reverse

Population change by state, July 2020–July 2021 (U.S.: 0.12%)

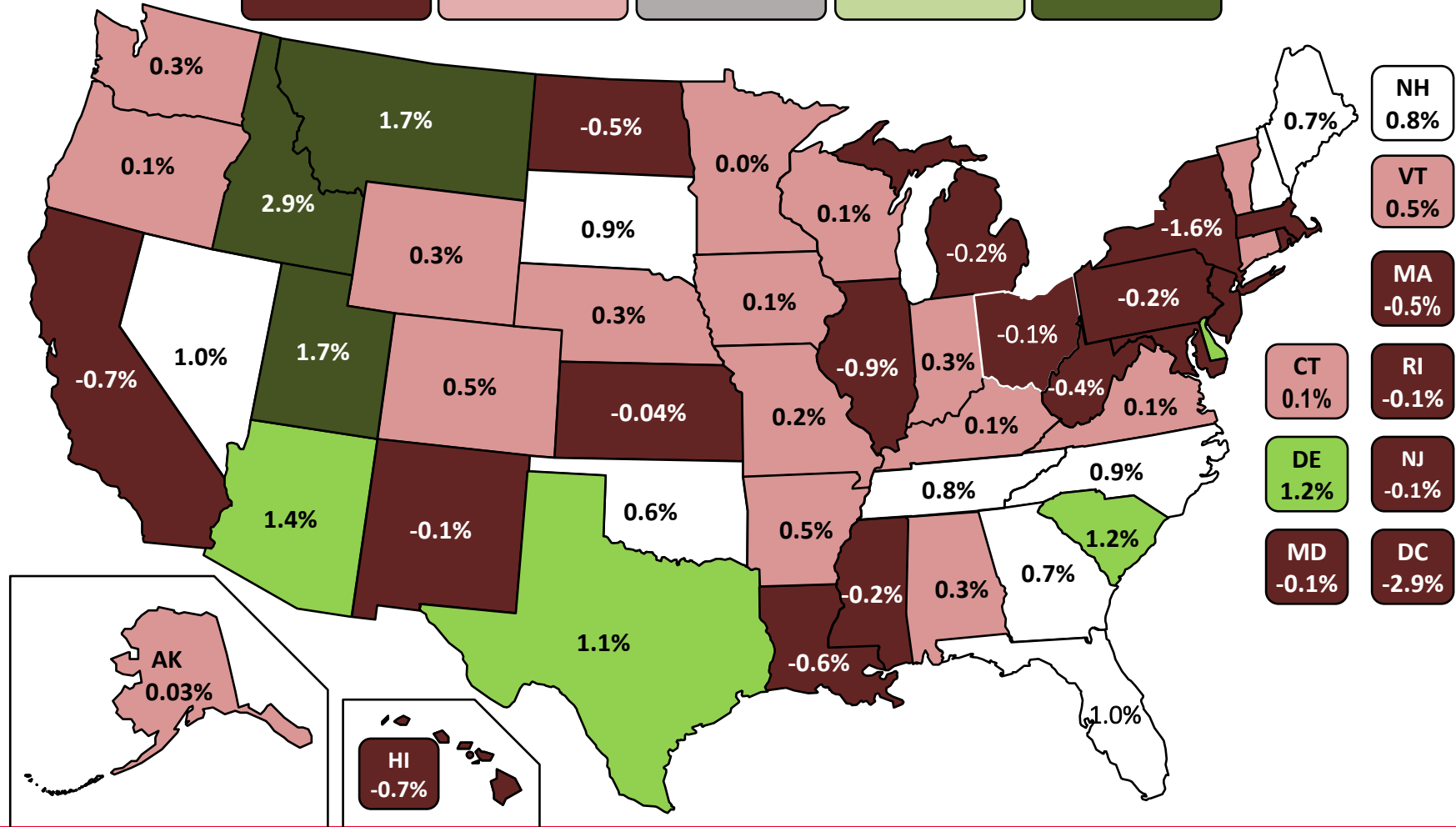


Top 6

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AZ	1.4%
SC, DE	1.2%

Bottom 5

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NY	-1.6%
IL	-0.9%
HI	-0.7%
CA	-0.7%



AGC economic resources

(email ken.simonson@agc.org)



- *The Data DiGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- *Construction Inflation Alert*:
<https://www.agc.org/learn/construction-data/agc-construction-inflation-alert>
- ConsensusDocs Price Escalation Resource Center:
<https://www.consensusdocs.org/price-escalation-clause/>
- Surveys, state and metro data, fact sheets: www.agc.org/learn/construction-data
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings:
<https://www.agc.org/newsroom>

